

TOWNSHIP OF DENTON
ROSCOMMON COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Denton Township	County Roscommon
Fiscal Year End March 31, 2006	Opinion Date May 23, 2006	Date Audit Report Submitted to State June 30, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Walter J Keskine		Telephone Number 989-732-7515	
Street Address 100 West First Street		City Gaylord	State MI
Authorizing CPA Signature 		Printed Name Walter J Keskine	Zip 49735
		License Number 1101008795	

TOWNSHIP OFFICIALS

SUPERVISOR

FRED CHIDESTER

CLERK

CAROL ASHER

TREASURER

CAROLYN PIETCHAK

TRUSTEES

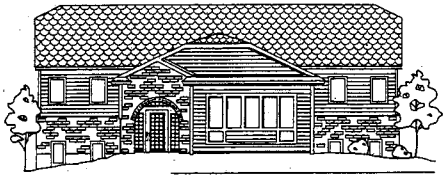
PAULA M. FULLER

ROBERT SMITH

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Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskin, C.P.A.
Jeffrey B. Cook, C.P.A.
Richard W. Miller, C.P.A.
Ronald D. Alexander, C.P.A.
Curt A. Reppuhn, C.P.A.

INDEPENDENT AUDITOR'S REPORT

May 23, 2006

To the Township Board
Denton Township
Roscommon County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Denton, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Denton as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 7 and budgetary comparison information on pages 34 through 41 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Denton Township basic financial statements. The combining non-major fund financial statements on pages 42 and 43 are presented for additional analysis and are not a required part of the basic financial statements. The combining non-major financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

K.K. Cook Miller; alexander LLP

KESKINE, COOK, MILLER & ALEXANDER, LLP



Roscommon County - - - The Playground of Michigan

TOWNSHIP OF DENTON

P.O. BOX 289
PRUDENVILLE, MICHIGAN 48651-0289
OFFICE (989) 366-5913 FAX (989) 366-7123
On Beautiful Houghton Lake



TOWNSHIP OF DENTON MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED MARCH 31, 2006

The following is a discussion and analysis of the annual financial report of the Township's financial performance for the fiscal year ended March 31, 2006 by management. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable. Net assets as of March 31, 2006 totaled \$13,693,826. Of this total, \$8,245,899 represents capital assets net of depreciation and related debt. Overall, assets increased \$715,369 from the prior year.

Revenues totaled \$4,512,566. \$3,566,743 came from Governmental activities, and \$945,823 from business-type activities. Total expenses were \$3,854,748. Expenses for governmental Activities were \$3,115,300 and \$739,448 for business-type activities. Total revenue increased 16.5 percent. Total expenses increased 11.8 percent.

The taxable value of the Township increased over \$18,000,000, or 7.28 percent, compared to 7.99 percent the previous year.

Major assets acquired last year were 2 ambulances for \$211,494, streetlights for \$57,607, and a restroom facility for \$62,713. Liabilities totaled 2,087,989. \$1,490,000 is related to bonded sewer debt. Overall liabilities decreased approximately \$218,000.

No additional long-term debt was incurred last year. The purchases were covered by Fund balance reserves.

OVERVIEW OF THE FINANCIAL STATEMENTS

The report consists of three parts, management discussion and analysis, the financial statements, and required supplementary information. The financial statements include entity-wide statements and fund financial statements.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity wide statements report information about the entity as a whole using accounting methods used by private companies. The statement of net assets includes all of the entity's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities. Net assets are an indicator of an entity's financial health.

Over time, trends in an entity's net assets serve as an indicator of whether financial position is improving or deteriorating.

Other factors such as changes in the tax base, condition of facilities, and personnel changes should be considered in assessing the overall fiscal health of an entity.

The majority of reported activities of the Township are governmental. These include the general fund, road fund, police fund, and fire fund. The sewer fund is treated as a business activity as the revenues pay for the operations of the activity.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the Township's funds, focusing on the major funds, not the Township as a whole. The funds account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township board may create additional funds. The funds are established to account for funding and spending of specific financial resources and to show proper expenditure of the resources.

The Township has the following types of funds:

Governmental Funds: The majority of the Township's activities are included in the governmental fund category. These funds are presented by the modified accrual method, which is designed to show short-term financial information. The differences between the government-wide statements and the fund statements are disclosed in reconciling the statements and explain the differences between them. The governmental funds of the Township include: General, Road, Fire, Police, Mobile Home, Recreational, Park, Ambulance, and Street Lights.

Proprietary Funds: These funds represent activities of the Township that are similar to activities performed by private companies. These funds are designed to generate revenues adequate to pay for the operations of the activity. These funds are presented on a full accrual method and use the same format as the government-wide statements and fund statements presentation. The Township's proprietary fund is Sewer.

Fiduciary Funds: The Township is a trustee or fiduciary for assets that belong to others. The Township maintains these funds and is responsible for insuring that the assets of the funds are spent for their intended purpose and at the direction of the individuals or organizations to which the funds belong. The Tax Collection Fund and McKinley Shores Seawall are Fiduciary Funds.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's combined net assets increased \$715,369 during the year ended March 31, 2006 and totaled \$13,693,820.

The increase is the result of fixed asset additions exceeding Depreciation Allowances during the year, mainly the new Rescue Truck.

Governmental Activities: The net assets for governmental activities increased \$508,994.

Business Type Activities: The net assets for business-type activities increased \$206,375. The changes in this area are consistent with prior periods and necessary to retire debt and maintain the system.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

GENERAL FUND: This fund records all activities not required to be recorded in a separate fund. The activities included are zoning, elections, maintenance, assessing, cemetery, community building, and township officials budgets. The major source of revenue for the general fund is state revenue sharing and the allocated millage on the tax base. Other sources are fees for services such as zoning fees, tax collection fees, and rent income.

The General Fund Budget for Denton Township for the 2005-2006 Budget year was close to the estimate for Revenue. Expenses for the General Fund, in most cases were close to the budgeted amounts. Several General Fund expense accounts are well under budget as some projects were delayed due to the uncertainty about State Revenue Sharing. Budgeted expenses were estimated by averaging the last 3 years and adjusted for expected trends. Upcoming projects, expected major repairs, equipment purchases, and other large expense items were added.

ROADS: The fund records income and expenses for county owned streets within the Township. The major revenue source is the voted township millage. A significant amount of revenue comes from the Roscommon County Road Commission allocation of funds between the townships. The funds are used for paving, curbing, and other improvements to the streets.

FIRE: The fund covers the activities of the townships volunteer on call paid fire department. The department is millage supported with revenue from fire protection contracts with other townships.

POLICE: The police fund is millage supported with other revenues from liquor license inspections, fees for insurance reports, and miscellaneous income.

PARKS: The fund covers activities for the township park system. The system includes the soccer fields, baseball field, pavilion, and beaches. The main source of income for the fund is from the general fund. There is no voted millage specifically for parks. In past years, grant income has been a significant source of revenue.

AMBULANCE: The revenues and expenses for the ambulance service is recorded by this fund. The fund is millage supported with approximately 35 percent of total revenue derived from the millage. Insurance fees from Medicare, Blue Cross, and other insurances provide the bulk of the remaining income. Mutual aid fees, ALS intercept fees, and training program fees are other sources of revenue. Donations from private individuals have been a significant source of revenue in past years.

STREETLIGHTS: The fund provides the revenue to pay utility costs and other operational costs of the program. The fund is millage supported.

COMMERICAL REHAB: This fund is a revolving fund that loans money to established business owners in the township. Start up funding was provided many years ago by a grant. Revenue for the fund comes from bank interest on retained funds, loan payments, and loan interest.

TRASH/COMPOST: This fund is supported by a special assessment on residential units in the township. Other sources of funding are the general fund, recycling revenue, commercial user fees, and grant income.

MOBILE HOME PARK: This fund is wholly supported by user fees charged to park users. Camping fees and lot rents are the main sources of revenue.

SEWER: The fund is supported mainly by user fees. Permit fees, delinquent fees, and capacity fees are other sources of revenue. The original system was bonded and paid for by special assessment districts. The last bond was paid off this year. The bond for the last expansion of the system was paid by increased user fees. The operations of the system are managed by the Houghton Lake Sewer Agency.

COMPONENT UNIT: The Houghton Lake Improvement Board is a component unit and is reported in an oversight capacity only. The HLIB approves all special assessments that fund the Boards activities. The HLIB is solely responsible for approving any projects and the related expense.

CAPITAL ASSET AND LONG-TERM DEPT ACTIVITY

Capital Assets. Total purchases were \$361,738.00. Two ambulances for \$211,494, Skid unit for fire Department for \$13,000, Thermo Camera for \$ 9,830, Restroom for Parks for \$62,713, Streetlights for \$57,607, and Miscellaneous for \$7,094.

Long-term Debt. No new long-term debt was acquired this year. The major long term debt is a sewer bond that will be paid off in 2014.

Future Considerations



The growth of Denton Township needs to be considered in any type of planning for the Township. The township has experienced a surge in commercial development with the new Walmart. A new strip mall between Walmart and Home Depot is complete. Lowe's is planning a new store east of Walmart and needs DEQ approval. Walgreen's is planning to build a new drugstore and has Planning Commission approval, pending MDOT approval of the siteplan.

New residential developments are in the planning stages. Two income based apartment complexes with 72 units total have been approved by the Township and are in the final planning stages. This growth will require upgraded roads and require additional EMS services. The Houghton Lake Sewer Authority has authorized engineering studies to upgrade the South Harrison Road facility. Estimated cost for the sewer upgrade is between \$6.5 and \$10 million, which will be prorated between the three townships. The township is also looking at upgrading the Level Park Sewer Plant. Other possible demands for increased services may be for parks and possibly a water system for some areas.

The Township has signed preliminary documents for a new ambulance facility, scheduled for completion by the spring of 2007. Estimated cost of the facility is expected to be \$1,100,00.00 and will be financed through USDA Rural Development by 30 or 40-year bonds. An option to purchase lake property for a park has been signed for \$720,000. Expected acquisition date is before June 1, 2007. The Township is hoping to receive a DNR Grant for \$450,000 to pay for part of the cost.

Contacting Entity Management

The report is designed to provide an overview of Denton Township's financial position and the accounting procedures used. If you have questions concerning this report please contact Fred Chidester, Supervisor, at 2565 S. Gladwin Rd, P.O. Box 289, Prudenville, MI 48651.


Fred Chidester, Supervisor
Carol A. Asher, Clerk

**TOWNSHIP OF DENTON
STATEMENT OF NET ASSETS
MARCH 31, 2006**

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Unit
ASSETS				
Current Assets:				
Cash	\$ 1,414,992	\$ 1,394,561	\$ 2,809,553	\$ 196,141
Investments	589,135	-	589,135	1,347,817
Receivables	377,383	273,890	651,273	-
Delinquent Taxes Receivable	137,710	31,234	168,944	19,879
Inventories	18,000	-	18,000	-
Due from Fiduciary Fund	1,574,112	-	1,574,112	-
Total Current Assets	4,111,332	1,699,685	5,811,017	1,563,837
Non-Current Assets:				
Capital Assets	4,421,501	12,202,191	16,623,692	-
Accumulated Depreciation	(1,784,047)	(4,868,847)	(6,652,894)	-
Total Non-Current Assets	2,637,454	7,333,344	9,970,798	-
Total Assets	6,748,786	9,033,029	15,781,815	1,563,837
LIABILITIES				
Current Liabilities:				
Cash Overdraft	269,740	-	269,740	-
Accounts Payable	11,507	5,053	16,560	-
Accrued Liabilities	76,790	-	76,790	-
Current Portion of Long-Term Debt	29,899	185,000	214,899	-
Total Current Liabilities	387,936	190,053	577,989	-
Long-Term Liabilities:				
Notes Payable	204,295	-	204,295	-
Bonds Payable	-	1,305,000	1,305,000	-
Lease Obligations	705	-	705	-
Total Long-Term Liabilities	205,000	1,305,000	1,510,000	-
Total Liabilities	592,936	1,495,053	2,087,989	-
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	2,402,555	5,843,344	8,245,899	-
Unrestricted	3,753,295	1,694,632	5,447,927	1,563,837
Total Net Assets	\$ 6,155,850	\$ 7,537,976	\$ 13,693,826	\$ 1,563,837

See accompanying notes to financial statements.

**TOWNSHIP OF DENTON
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006**

PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
				PRIMARY GOVERNMENT			
EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
GOVERNMENTAL ACTIVITIES							
General Government	\$ (560,419)	\$ 41,380	\$ -	\$ (519,039)	\$ -	\$ (519,039)	\$ -
Community and Economic Development	(114,128)	37,767	-	(76,361)	-	(76,361)	-
Health & Welfare	(1,048,154)	597,940	-	(450,214)	-	(450,214)	-
Parks & Recreation	(147,039)	88,309	-	(58,730)	-	(58,730)	-
Public Safety	(483,512)	115,616	21,077	(346,819)	-	(346,819)	-
Public Works	(746,728)	2,433	-	(744,295)	-	(744,295)	-
Interest on Long-Term Debt	(15,320)	-	-	(15,320)	-	(15,320)	-
Total Governmental Activities	(3,115,300)	883,445	21,077	(2,210,778)	-	(2,210,778)	-
BUSINESS-TYPE ACTIVITIES							
Sewer System	(739,448)	909,402	-	-	169,954	169,954	-
Total Primary Government	\$ (3,854,748)	\$ 1,792,847	\$ 21,077	(2,040,824)	169,954	(1,870,870)	-
COMPONENT UNIT	\$ (272,363)	\$ -	\$ -	-	-	-	(272,363)
GENERAL REVENUES							
Property Taxes:							
Levied for General Purposes				368,568	-	368,568	235,630
Levied for Public Safety Services				475,421	-	475,421	-
Levied for Public Works Services				503,507	-	503,507	-
Levied for Health & Welfare Services				350,905	-	350,905	-
State Shared Revenue (not restricted to specific purpose)				414,108	-	414,108	-
Donations				323,000	-	323,000	-
Miscellaneous				136,307	-	136,307	-
Investment Earnings				90,405	36,421	126,826	42,323
TOTAL GENERAL REVENUES				2,662,221	36,421	2,698,642	277,953
CHANGE IN NET ASSETS				508,994	206,375	715,369	5,590
NET ASSETS - APRIL 1				5,646,856	7,331,601	12,978,457	1,558,247
NET ASSETS - MARCH 31				\$ 6,155,850	\$ 7,537,976	\$ 13,693,826	\$ 1,563,837

See accompanying notes to financial statements.

TOWNSHIP OF DENTON
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2006

	GENERAL	AMBULANCE	TRASH	FIRE	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL
ASSETS						
Cash and Equivalents	\$ 987,549	\$ 91,300	\$ -	\$ 117,338	\$ 218,805	\$ 1,414,992
Investments	266,972	206,356	-	40,822	74,985	589,135
Receivables:	-	-	-	-	-	-
Delinquent Taxes	28,602	27,194	25,973	19,070	36,871	137,710
Accounts (Net of Allowance for Doubtful Accounts)	-	74,999	-	-	-	74,999
Due from Other Funds	344,555	326,491	231,574	228,973	442,519	1,574,112
Inventories	-	18,000	-	-	-	18,000
Total Assets	1,627,678	744,340	257,547	406,203	773,180	3,808,948
LIABILITIES AND FUND EQUITY						
Liabilities						
Cash Overdraft	-	-	184,815	-	84,925	269,740
Accounts Payable	11,507	-	-	-	-	11,507
Accrued Liabilities	15,808	-	-	-	-	15,808
Deferred Revenue	-	-	-	-	-	-
Total Liabilities	27,315	-	184,815	-	84,925	297,055
Fund Equity						
Fund Balance						
Undesignated	1,576,895	726,340	72,732	406,203	688,255	3,470,425
Designated	23,468	-	-	-	-	23,468
Reserved	-	18,000	-	-	-	18,000
Total Fund Equity	1,600,363	744,340	72,732	406,203	688,255	3,511,893
Total Liabilities and Fund Equity	\$ 1,627,678	\$ 744,340	\$ 257,547	\$ 406,203	\$ 773,180	\$ 3,808,948

See accompanying notes to financial statements

**TOWNSHIP OF DENTON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2006**

TOTAL FUND EQUITY - GOVERNMENTAL ACTIVITIES (PER BALANCE SHEET - PAGE 10)	\$ 3,511,893
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Amounts reported for governmental activities in the Statement of Net Assets (page 8) are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not recorded in the funds. This represents the amounts by which capital assets used in governmental funds exceeds accumulated depreciation.	2,637,454
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Long-term receivables are not current financial resources and are therefore not reported on the governmental funds balance sheet	302,384
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Long-term liabilities, including notes/bonds payable and accrued liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(295,881)</u>
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TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER THE STATEMENT OF NET ASSETS - PAGE 8)	\$ <u>6,155,850</u>
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See accompanying notes to financial statements

TOWNSHIP OF DENTON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2006

	GENERAL	AMBULANCE	TRASH	FIRE	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL
REVENUES						
Taxes and Assessments	\$ 368,568	\$ 350,905	\$ 257,547	\$ 245,758	\$ 475,623	\$ 1,698,401
State Grants	406,031	-	-	-	8,077	414,108
Charges for Services	62,559	597,940	-	15,505	88,989	764,993
Rent	13,380	-	-	-	-	13,380
Licenses and Permits	103,983	-	-	-	-	103,983
Interest	37,995	29,155	-	8,088	15,167	90,405
Other	8,945	141,313	2,439	24,142	2,250	179,089
Total Revenues	1,001,461	1,119,313	259,986	293,493	590,106	3,264,359
EXPENDITURES						
General Government	520,962	-	-	-	-	520,962
Public Safety	99,341	-	-	137,949	218,735	456,025
Public Works	133,310	-	345,154	-	309,996	788,460
Health and Welfare	-	885,801	-	-	-	885,801
Community & Econ Dev	54,128	-	-	-	-	54,128
Recreation and Culture	-	-	-	-	73,050	73,050
Capital Outlay	3,360	212,307	-	27,337	120,469	363,473
Debt Service	-	-	-	60,033	-	60,033
Total Expenditures	811,101	1,098,108	345,154	225,319	722,250	3,201,932
Excess (Deficiency) of Revenues Over Expenditures	190,360	21,205	(85,168)	68,174	(132,144)	62,427
OTHER FINANCING SOURCES (USES)						
Operating Transfers	(329,000)	-	111,000	-	218,000	-
Excess of Revenues and Other Sources Over Expenditures and Other Uses	(138,640)	21,205	25,832	68,174	85,856	62,427
Fund Balance - April 1	1,739,003	723,135	46,900	338,029	602,399	3,449,466
Fund Balance - March 31	\$ 1,600,363	\$ 744,340	\$ 72,732	\$ 406,203	\$ 688,255	\$ 3,511,893

See accompanying notes to financial statements

**TOWNSHIP OF DENTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2006**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	62,427
- PAGE 12		

Amounts reported for governmental activities in the Statement of Activities
(page 9) are different because:

Governmental funds do not report long-term debt; therefore, debt service payments are recorded as expenditures. However in government-wide financial statements, long-term debt is recorded as a liability and payments are applied against the outstanding balances.		51,815
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Long-term receivable/income is recorded in the statement of activities not on the governmental fund statements.		302,384
---	--	---------

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets are capitalized and depreciation charged to expense over their useful life.		
Current year asset additions		361,739
Current Year Depreciation allowance		(259,817)

Increase of long-term accrued liabilities is not recorded in governmental funds		(4,000)
---	--	---------

Increases, decreases to compensated absences are not recorded in governmental funds except when paid currently. In government-wide financial statements increases and decreases are recorded in the current period.		(5,554)
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CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES (PER THE STATEMENT OF ACTIVITIES - PAGE 9)	\$	<u>508,994</u>
--	-----------	-----------------------

See accompanying notes to financial statements

**TOWNSHIP OF DENTON
STATEMENT OF NET ASSETS
PROPRIETARY FUND
MARCH 31, 2006**

	SEWER FUND
ASSETS	
Current Assets:	
Cash and Equivalents	\$ 1,394,561
Investments	-
Receivables:	
Delinquent Assessments	31,234
Accounts	273,890
Interest	-
Total Current Assets	1,699,685
Non-Current Assets:	
Sewer System	12,202,191
Less Accumulated Depreciation	(4,868,847)
Total Non-Current Assets	7,333,344
Total Assets	9,033,029
LIABILITIES	
Current Liabilities:	
Accounts Payable	5,053
Accrued Interest Payable	-
Current Portion of Long-Term Debt	180,000
Total Current Liabilities	185,053
Long-Term Debt:	
Notes / Bonds Payable	1,310,000
Total Liabilities	1,495,053
NET ASSETS	
Invested in Capital Assets Net of Related Debt	5,843,344
Unrestricted	1,694,632
Total Net Assets	\$ 7,537,976

See accompanying notes to financial statements.

TOWNSHIP OF DENTON
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED MARCH 31, 2006

	SEWER FUND
OPERATING REVENUES	
Usage Fees and Other	\$ 909,402
OPERATING EXPENSES	
Houghton Lake Sewer Authority	541,729
Depreciation	162,894
Administration	1,525
Total Operating Expenses	706,148
Operating Income	203,254
NON-OPERATING REVENUE	
Interest Income on Investments	36,421
NON-OPERATING EXPENSES	
Interest on Bonds	33,300
Paying Agent Fees	-
Total Non - Operating Expenses	33,300
Non - Operating Income	3,121
Net Income	206,375
Fund Net Assets- April 1	7,331,601
Fund Net Assets - March 31	\$ 7,537,976

See accompanying notes to financial statements.

**TOWNSHIP OF DENTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED MARCH 31, 2006**

SEWER FUND

Cash Flows From Operating Activities:

Cash received from customers	\$	901,970
Cash payments to suppliers for goods and services		<u>(545,839)</u>

Net Cash Provided by Operating Activities		<u>356,131</u>
---	--	----------------

Cash Flows From Capital Financing Activities:

Principal paid on bonded debt		(175,000)
Interest paid		<u>(33,300)</u>

Net Cash Used by Capital Financing Activities		<u>(208,300)</u>
---	--	------------------

Cash Flows From Investing Activities:

Interest earned on investments		<u>36,421</u>
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Net Cash Provided by Investing Activities		<u>36,421</u>
---	--	---------------

Net Increase (decrease) in Cash		184,252
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Cash and Equivalents - April 1		<u>1,210,309</u>
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Cash and Equivalents - March 31	\$	<u>1,394,561</u>
---------------------------------	----	------------------

Reconcilliation of operating income to net cash provided by operating activities

Operating Income	\$	203,254
Adjustments to reconcile operating income to net cash provided by operating activities		

Depreciation	162,894.00	
Increase in accounts receivable and current assets	(7,432.00)	
Decrease in accounts payable and other liabilities	<u>(2,585.00)</u>	
		<u>152,877</u>

Net cash provided by operating activities	\$	<u>356,131</u>
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See accompanying notes to financial statements

**TOWNSHIP OF DENTON
STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2006**

		<u>AGENCY FUNDS</u>
ASSETS		
Cash		\$ 1,615,188
Special Assessment Receivable		1,308
		<hr/>
Total Assets		1,616,496
		<hr/>
LIABILITIES		
Due to Township		1,574,112
Due to Other Governments		12,997
Note Payable		29,387
		<hr/>
Total Liabilities		\$ 1,616,496
		<hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF DENTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE A: ENTITY

The Township of Denton is a General Law Township of the State of Michigan, located in Roscommon County, Michigan. It operates under an elected Board and provides services to its residents in many areas including law enforcement, community enrichment, and human services. The criteria for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service and special financing relationships. On this basis, the financial statements include all of the governmental functions of Denton Township. The entities included in these financial statements are as follows:

HOUGHTON LAKE SEWER AUTHORITY

The Townships of Roscommon, Denton and Lake formed the Houghton Lake Sewer Authority, a joint venture, in 1973 for the purpose of operating, maintaining, administering and managing a sanitary sewage disposal facility for the benefit of the aforementioned three Townships and for any other Township or municipality which thereafter joins in and becomes part of such sewer system and the related agreement, all for the betterment of the health, safety, economy and general welfare of the participating municipalities.

Pursuant to the formation of the Authority, the Roscommon County Department of Public Works issued \$2,420,000 of bonds whereupon each Township assumed the responsibility of reimbursing the County for their respective share of the total bonds issued. These bonds were fully retired.

Various other Roscommon County Department of Public Works bonds were issued to help defray the cost of the subsequent additions. All Roscommon County debt has been retired.

A schedule of indebtedness is included in Note G to detail bond issues outstanding attributed to Denton Township. The Township has levied special assessments based on a front footage to aid in the payment of bonded debt. In addition, an annual service charge may be levied to provide for any bonded debt not recoverable by the special assessment.

The Township's proportionate share of the Authority's operating expenses is included in the Township's Sewer Fund. The Authority is a joint venture and is audited under separate cover. Copies of the Financial Statements for the Houghton Lake Sewer Authority may be obtained from the Authority whose address is: P.O. Box 8 Houghton Lake, MI 48629.

**TOWNSHIP OF DENTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE A: ENTITY (CONTINUED)

HOUGHTON LAKE IMPROVEMENT BOARD

In 2000, the Houghton Lake Improvement Board was formed under authorization of Natural Resources and Environmental Protection Act 451 of 1994, by resolution of the boards of Denton, Markey, Lake, and Roscommon Townships of Roscommon County. The Board was formed for the purpose of protecting and improving the water quality of Houghton Lake from the infection of nonnative plants and vegetation that threaten the water quality of the lake.

The Board formed a special assessment district composed of all parcels of land and local units which will be benefited from the improvements. The special assessment district includes properties in Denton, Markey, Lake, Roscommon Townships. It is funded by a special assessment, contributions from participating Townships, and state appropriations.

The Board is reported as a component unit of the Township of Denton.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Denton Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the Township's financial activities for the fiscal year ended March 31, 2006.

The accounting policies of Denton Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On April 1, 2004, Denton Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus.

**TOWNSHIP OF DENTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**TOWNSHIP OF DENTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental funds:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state grants, interest, and other intergovernmental revenues.

Ambulance Fund – This fund is used to account for all financial transactions of the ambulance services provided by Denton Township. Revenues are derived from property taxes and charges for services.

Trash Pick Up Fund – This fund is used to account for all financial transactions related to trash pick up services provided by Denton Township. Revenues are derived from special assessments, user fees, recycling income, and grant income.

Fire Fund – This fund is used to account for all financial transactions related to fire protection services provided by Denton Township. Revenues are derived from special assessments and miscellaneous charges/contributions.

The Township reports, in total, the following non-major funds:

Street Lights, Mobile Home, Police, Recreational/Park, and Roads.

Proprietary Funds

The Township reports the following major proprietary fund:

Enterprise Funds - Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The Township maintains a Sewer Fund in this category.

Other Funds

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

**TOWNSHIP OF DENTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPONENT UNIT

Houghton Lake Improvement Board Fund – This fund is used to account for all financial transactions of the Improvement Board, which is described in Note A of these financial statements. Revenues are derived primarily from special assessment and contributions from other governments, and expenditures consist of treatments to improve the health of Houghton Lake.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

**TOWNSHIP OF DENTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Governmental Fund Financial Statements (Continued)

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property Taxes

The property tax calendar is as follows:

Lien Date	December 31, 2004	
Levy Dates	July 1, 2005	(summer collection)
	December 1, 2005	(winter collection)
Due Dates	September 15, 2005	(summer collection)
	February 15, 2006	(winter collection)

The real property tax rolls were turned over to the County of Roscommon on March 1, 2006. Collection of personal property taxes remains the responsibility of the Township. Amounts collected after the due date are assessed interest and/or penalty provisions. A county revolving fund normally pays the balance of the Township's real property tax levy by May 31. The entire Township levy is recorded as revenue in the current year.

The tax rates for the year ended March 31, 2006, were as follows:

<u>PURPOSE</u>	<u>RATE/TAXABLE VALUATION</u>
General	1.4867 per \$1,000
Fire	.9912
Roads	.4956
Police	.9253
Street Lights	.4956
Ambulance Operating	<u>1.4135</u>
Total Millage	<u>5.8079</u>

Proprietary Fund Financial Statements

Operating income reported in proprietary fund financial includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**TOWNSHIP OF DENTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND DISCOUNTS/PREMIUMS

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

BUDGETS

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township for budgetary funds were adopted on a fund level. Budgets are normally formulated during January and February of each year and a budget hearing is held in March. The Board normally adopts the budget just prior to April 1. The budgets as presented in these financial statements have been amended as necessary throughout the year. They were adopted using the modified accrual method of accounting. They expire on March 31 of each year. There are no carryover items. The Township experienced over expenditures in the Recreational Park Fund for the year ended March 31, 2006. This fund has a deficit balance of \$6,310 at March 31, 2006.

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

INVENTORY

Inventory is stated at estimated cost.

**TOWNSHIP OF DENTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE B: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in the respective fund financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$2,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	40
Improvements, other than buildings	15 – 40
Mobile equipment	3 – 10
Furniture, machinery, and equipment	5 – 15
Sewer system	75

For information describing capital assets, see Note F.

NOTE C: CASH, CASH EQUIVALENTS AND INVESTMENTS

COMMON BANK ACCOUNT

For investment purposes the Township maintains cash from several funds in common bank accounts. Balances belonging to each fund are as follows:

General Fund	\$ 1,231,651
Fire Fund	157,560
Recreational Park Fund	(6,310)
Road Fund	3,218
Trash Pickup Fund	(184,815)
Police Fund	(78,615)
Street Lights Fund	184,836
Mobile Home Park Fund	105,736
Ambulance Fund	<u>297,656</u>
Total	<u>\$ 1,710,917</u>

**TOWNSHIP OF DENTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE C: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

COMMON BANK ACCOUNT (CONTINUED)

Cash consists of bank accounts or securities with original maturities of 90 days or less.

CASH AND INVESTMENTS

All cash deposits are maintained in financial institutions in Michigan. The Township's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the Township at fiscal year-end. The categories are described as follows:

- Category 1 - Insured or collateralized with securities held by the Township or by its agent in the Township's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.
- Category 3 - Uncollateralized.

	<u>BANK BALANCE</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>CARRYING AMOUNT</u>
Pooled Deposits	\$ 1,748,107	\$ 300,000	\$ -	\$ 1,448,107	\$ 1,710,917
Sewer	1,399,783	100,000	-	1,299,783	1,394,561
General	<u>23,477</u>	<u>-</u>	<u>-</u>	<u>23,477</u>	<u>23,470</u>
Total Cash Deposits	<u>\$ 3,171,367</u>	<u>\$ 400,000</u>	<u>\$ -</u>	<u>\$ 2,771,367</u>	<u>\$ 3,128,948</u>
Component Unit	<u>\$ 1,543,998</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 1,243,998</u>	<u>\$ 1,543,958</u>
Agency	<u>\$ 1,615,589</u>	<u>\$ 112,995</u>	<u>\$ -</u>	<u>\$ 1,502,594</u>	<u>\$ 1,615,188</u>

INVESTMENTS

Investments (included above) consists of certificates of deposit and they are stated at cost, which approximates fair market value. Investments consist of securities with original maturities in excess of 90 days. Investing is performed in accordance with investment policies complying with state statutes.

**TOWNSHIP OF DENTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE C: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's investments are as follows:

- (1) Insured or securities held by the Township or the Township's agent in the Township's name.
- (2) Uninsured with securities held by the counter party's trust department or its agent in the Township's name.
- (3) Uninsured with securities held by the counter party's trust department or agent but not in the Township's name.

NOTE D: RECEIVABLES

Receivables consist of the following:

Delinquent Taxes and Assessments

County of Roscommon bonds for tax collection and pays balances due various taxing authorities during May of each year.

	<u>Township</u>	<u>Component Unit</u>
General Fund	\$ 28,602	\$ -
Ambulance Fund	27,194	-
Fire Fund	19,070	-
Sewer Fund	31,234	-
Trash Fund	25,973	-
Non-major Govt. Funds	36,871	-
Houghton Lake Improvement Fund	-	19,879
	<u>\$ 168,944</u>	<u>\$ 19,879</u>
<u>Special Revenue Funds</u>		
Ambulance runs	\$ 113,034	\$ -
Less allowance for uncollectibles	(38,035)	-
	<u>\$ 74,999</u>	<u>\$ -</u>
Estimated proceeds from Estate Contribution (Sale of Home – Net Proceeds)	<u>\$ 180,000</u>	<u>\$ -</u>

**TOWNSHIP OF DENTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE D: RECEIVABLES (CONTINUED)

Improvement Loan Program Receivables	\$ 122,384	\$ -
<u>Sewer Fund</u>		
Usage fees	\$ 273,890	\$ -
TOTAL RECEIVABLES	\$ 820,217	\$ 19,879

The Houghton Lake Sewer Authority manages and collects the receivables of the sewer fund for Denton Township. Delinquent fees are added to the tax roll, therefore no allowance for doubtful accounts is necessary.

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables consist of:

Monies collected in the property tax collection fund and not disbursed to the various funds at March 31, 2006.

INTERFUND RECEIVABLES

General Fund	\$ 344,555
Fire Fund	228,973
Road Fund	114,419
Trash Pickup Fund	231,574
Police Fund	213,681
Streetlight Fund	114,419
Ambulance Fund	326,491
Total	<u>\$ 1,574,112</u>

INTERFUND PAYABLES

Agency Fund	<u>\$ 1,574,112</u>
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TOWNSHIP OF DENTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

NOTE F: CAPITAL ASSETS

	<u>CAPITAL ASSETS NOT DEPRECIATED</u>		<u>CAPITAL ASSETS DEPRECIATED</u>				
	<u>Land & Improv</u>	<u>Buildings</u>	<u>Furniture & Fixtures</u>	<u>Machinery & Equipment</u>	<u>Infrastructure</u>	<u>Sewage System</u>	<u>Totals</u>
<i>Governmental Activities</i>							
Balance, April 1, 2005	\$ 200,338	\$ 2,025,967	\$ 58,937	\$1,739,646	\$ 49,875	\$ -	\$ 4,074,763
Increases	-	59,024	3,689	241,418	57,607	-	361,738
Decreases	-	-	-	(15,000)	-	-	(15,000)
Balance, March 31, 2006	<u>200,338</u>	<u>2,084,991</u>	<u>62,626</u>	<u>1,966,064</u>	<u>107,482</u>	<u>-</u>	<u>4,421,501</u>
<i>Governmental Activities Accumulated Depreciation</i>							
Balance, April 1, 2005	-	759,148	38,218	741,448	416	-	1,539,230
Increases	-	51,877	8,718	194,808	4,414	-	259,817
Decreases	-	-	-	(15,000)	-	-	(15,000)
Balance, March 31, 2006	<u>-</u>	<u>811,025</u>	<u>46,936</u>	<u>921,256</u>	<u>4,830</u>	<u>-</u>	<u>1,784,047</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 200,338</u>	<u>\$ 1,273,966</u>	<u>\$ 15,690</u>	<u>\$1,044,808</u>	<u>\$ 102,652</u>	<u>\$ -</u>	<u>\$ 2,637,454</u>
<i>Business-Type Activities</i>							
Balance, April 1, 2005	\$ -	\$ 17,000	\$ -	\$ -	\$ -	\$12,185,191	\$12,202,191
Increases	-	-	-	-	-	-	-
Decreases	-	-	-	-	-	-	-
Balance, March 31, 2006	<u>-</u>	<u>17,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,185,191</u>	<u>12,202,191</u>
<i>Accumulated Depreciation</i>							
Balance, April 1, 2005	\$ -	\$ 5,100	\$ -	\$ -	\$ -	\$ 4,700,853	\$ 4,705,953
Increases	-	425	-	-	-	162,469	162,894
Decreases	-	-	-	-	-	-	-
Balance, March 31, 2006	<u>-</u>	<u>5,525</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 4,863,322</u>	<u>\$ 4,868,847</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$ -</u>	<u>\$ 11,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,321,869</u>	<u>\$ 7,333,344</u>
<i>Primary Government Capital Assets, Net</i>	<u>\$ 200,338</u>	<u>\$ 1,285,441</u>	<u>\$ 15,690</u>	<u>\$1,044,808</u>	<u>\$ 102,652</u>	<u>\$ 7,321,869</u>	<u>\$ 9,970,798</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities

Township Administration	\$ 41,099
Parks & Recreation	11,276
Public Safety	193,510
Health & Welfare	9,518
Public Works	4,414
Total	<u>\$ 259,817</u>

Business-Type Activities

Sewer Utilities	<u>\$ 162,894</u>
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**TOWNSHIP OF DENTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE G: LONG-TERM DEBT

	Balance April 1 2005	Additions	Retirements	Balance March 31 2006	Due Within One Year
<u>Governmental Activities</u>					
<i>Major Governmental Fund</i>					
Ambulance Note	\$ 2,046	\$ -	\$ 2,046	\$ -	\$ -
Copier Capital Lease	2,818	-	1,056	1,762	1,056
<i>Non Major Governmental Fund</i>					
Fire Truck Notes	281,851	-	48,714	233,137	28,843
Total	<u>\$ 286,715</u>	<u>\$ -</u>	<u>\$ 51,816</u>	<u>\$ 234,899</u>	<u>\$ 29,899</u>
<u>Business-type Activities</u>					
<i>Major Enterprise Fund</i>					
Sewer Bonds-1993 Issue	<u>\$1,665,000</u>	<u>-</u>	<u>175,000</u>	<u>1,490,000</u>	<u>185,000</u>
Total Primary Government Long-term Debt	<u>\$1,951,715</u>	<u>\$ -</u>	<u>\$226,816</u>	<u>\$1,724,899</u>	<u>\$ 214,899</u>

AMBULANCE NOTE

In May 2002, The Township incurred debt of \$71,517 for the purchase of an Ambulance. The terms of the note are: monthly payments of \$2,100, including interest at 3.65% for 3 years. The note was retired in May 2005.

FIRE TRUCK INSTALLMENT LOANS

In November 2000, the Township borrowed \$146,577 to finance the purchase of a fire truck under an installment loan agreement. Payments are \$2,753 monthly for five years, including interest at 5.25%. The note was retired in November 2005.

In October 2004, the Township borrowed \$260,000 to finance the purchase of a rescue truck under an installment purchase agreement. Payments are \$37,726 annually for eight years, including interest at 3.91%. The balance on March 31, 2006 was \$233,137.

SEWER BONDS

1993 Limited tax general obligation bond – original bond amount was \$3,500,000. Annual principal payments range from \$145,000 - \$210,000, plus semi-annual interest payments at a rate of 2%. Balance at March 31, 2006 was \$1,490,000.

**TOWNSHIP OF DENTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE G: LONG-TERM DEBT (CONTINUED)

CAPITAL LEASE

The Township purchased a Sharp Copier January 7, 2003 under a capital lease which requires monthly payments of \$88.04 with a purchase option after 60 months for \$1.00. Current year lease expense \$1,056.

SEAWALL INSTALLMENT LOAN

In June 2004, the Township entered into an installment purchase agreement on behalf of the McKinley Shores Homeowners Association to construct a seawall. The loan principal was \$57,671. Payments are \$30,533 annually for 2 years, including interest at 3.9%. This loan is being financed entirely by a special assessment levied on properties benefiting from the project. Due to the nature of the agreement, this note and activity related to it is recorded in an agency fund. Balance due at March 31, 2006 was \$29,387.

The annual principal/lease requirements for all debt outstanding as of March 31, 2006, are as follows:

	<u>Sewer Bonds</u>	<u>Copier</u>	<u>Fire Truck</u>	<u>Seawall</u>
2007	\$ 185,000	\$ 1,056	\$ 28,843	\$ 29,387
2008	185,000	706	29,971	-
2009	190,000	-	31,142	-
2010	195,000	-	32,360	-
2011	200,000	-	33,625	-
2012	200,000	-	34,940	-
2013	205,000	-	42,256	-
2014	130,000	-	-	-
	<u>\$ 1,490,000</u>	<u>\$ 1,762</u>	<u>\$ 233,137</u>	<u>\$ 29,387</u>

ACCRUED INTEREST

GASB Statement No. 34 requires interest to be accrued for the long-term debt of governmental activities for the government-wide financial statements. Proprietary funds (sewer) have always recorded accrued interest, as they are governed by FASB guidelines. The government-wide financial statements include the following accrued interest balances at March 31, 2006: \$9,000.

Total interest expense for the Township for the year approximated \$48,000.

**TOWNSHIP OF DENTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE H: ACCRUED LIABILITIES

Accrued Liabilities consists of the following:

Interest	\$ 9,000
Compensated Absences	51,982
Unearned Revenue	<u>15,808</u>
	<u>\$ 76,790</u>

NOTE I: FUND BALANCE/NET ASSETS

FUND BALANCE

The Township Board has taken action to appropriate or reserve surplus funds as follows:

1. Denton Commercial Rehabilitation funds (pay backs) on hand at March 31, 2006, have been pledged to help fund economic development plans in the Township. The balance in the general fund at March 31, 2006, was \$23,468.
2. The Ambulance Fund had \$18,000 worth of medical supplies on hand at March 31, 2006.

NOTE J: PENSION PLAN

The Township of Denton contributes to a pension plan which is a defined contribution pension plan administered by the Manufacturers Life Insurance Company.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under the Township's defined contribution pension plan, the benefits a participant will receive depends on the amount contributed to the participant's account and the returns earned on investments of those contributions.

All full-time employees and elected officials between the ages of 18-75 are eligible to participate in the plan. Contributions made by the Township and employees are fully vested after the third full year. The participant will receive all vested benefits upon termination of employment with the Township.

The plan requires the Township to contribute 10% of the eligible employees wages. Additionally, each participant contributes 10% of their salary. The Township has met all pension obligations for the year ended March 31, 2006.

TOWNSHIP OF DENTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

NOTE J: PENSION PLAN (CONTINUED)

In addition, employees may make voluntary contributions up to 5% of compensation. The Township's contribution for the year totaled \$79,046.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

NOTE K: INSURANCE

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. The Township participated in the Michigan Municipal Liability and Property Pool, a self-insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expense for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year. The Township carries commercial insurance for other potential losses, including employee health and accident insurance.

NOTE L: COMMITMENTS

In March 2003, the Township entered into a 5-year contract commencing May 1, 2003 and ending March 31, 2008 with Waste Management of Michigan, Inc. for trash collection services. This monthly fee for services is \$5.54 per livable residential dwelling/unit for the first year and may increase 3% in subsequent years.

The Township signed a Purchase Agreement on land for \$720,000 to be used for a proposed park on July 25, 2005. A \$15,000 non-refundable fee was paid in consideration for delay of closing the transaction until May 31, 2006 due to funding options being pursued by the Township. This closing date was subsequently amended to May 31, 2007 on February 8, 2006.

NOTE M: DEFICIT FUND BALANCE

The Recreation Park fund carries a deficit fund balance of \$6,310 at March 31, 2006. The Township intends to transfer funds to cover this deficit in fiscal year 2007.

TOWNSHIP OF DENTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET (UNFAVORABLE)
REVENUES				
Property Taxes and Assessments	\$ 344,402	\$ 344,402	\$ 368,568	\$ 24,166
Intergovernmental:				
State Shared Revenue	350,000	350,000	398,360	48,360
Trailer Tax	600	600	1,232	632
Swamp Tax	6,400	6,400	6,439	39
Charges for Services:				
Cemetery Services	9,500	9,500	12,000	2,500
Rehab Program Payments	12,000	12,000	23,409	11,409
Summer Tax Collection Fees	16,000	16,000	16,000	-
Other Fees	10,250	10,250	11,150	900
Rent	13,380	13,380	13,380	-
Licenses and Permits	93,500	93,500	103,983	10,483
Interest	23,200	23,200	37,995	14,795
Other	6,000	6,000	8,945	2,945
Total Revenues	<u>\$ 885,232</u>	<u>\$ 885,232</u>	<u>\$ 1,001,461</u>	<u>\$ 116,229</u>
 EXPENDITURES				
 GENERAL GOVERNMENT				
Township Board:				
Salaries - Permanent Employees	\$ 42,000	\$ 42,000	\$ 40,963	\$ 1,037
Salaries - Board	7,830	7,830	7,800	30
Fringe Benefits	49,530	49,530	40,180	9,350
Office Supplies	17,000	17,000	17,435	(435)
Repairs and Maintenance	900	900	1,090	(190)
Professional Services	34,500	64,500	53,147	11,353
Transportation and Meals	125	125	164	(39)
Community Promotion	1,000	1,000	120	880
Printing and Publishing	2,000	2,000	2,558	(558)
Insurance and Bonds	15,000	15,000	13,737	1,263
Membership, Dues and Education	6,000	6,000	4,782	1,218
Miscellaneous / Contingency	10,000	32,000	32,990	(990)
Equipment	1,000	1,000	-	1,000
Total Township Board	<u>186,885</u>	<u>238,885</u>	<u>214,966</u>	<u>23,919</u>

TOWNSHIP OF DENTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET (UNFAVORABLE)
Supervisor:				
Salary	38,000	38,000	38,000	-
Fringe Benefits	9,507	9,507	8,154	1,353
Office Supplies	100	100	287	(187)
Membership, Dues and Education	1,800	1,800	1,924	(124)
Transportation and Meals	600	600	250	350
Equipment	500	500	-	500
Total Supervisor	50,507	50,507	48,615	1,892
Assessor:				
Salaries	67,324	67,324	67,544	(220)
Fringe Benefits	21,982	21,982	22,274	(292)
Office Supplies	6,000	6,000	5,587	413
Membership, Dues and Education	1,250	1,250	835	415
Transportation and Meals	850	850	679	171
Equipment	500	500	-	500
Maintenance	600	600	368	232
Misc Expense	500	500	-	500
Professional Services	200	200	200	-
Total Assessor	99,206	99,206	97,487	1,719
Election Board:				
Wages	4,500	4,500	2,332	2,168
Fringe Benefits	345	345	60	285
Printing and Publishing	100	100	-	100
Transportation and Meals	200	200	-	200
Equipment and Other	700	700	-	700
Office Supplies	1,655	1,655	537	1,118
Total Election Board	7,500	7,500	2,929	4,571
Computer Department:				
Equipment and Supplies	13,400	13,400	12,846	554

TOWNSHIP OF DENTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET (UNFAVORABLE)
Township Clerk:				
Salaries	32,500	32,500	32,500	-
Fringe Benefits	15,836	15,836	15,680	156
Office Supplies	200	200	-	200
Membership, Dues and Education	1,800	1,800	1,198	602
Transportation and Meals	450	450	212	238
Total Township Clerk	50,786	50,786	49,590	1,196
Township Treasurer:				
Salaries	32,500	32,500	32,500	-
Fringe Benefits	8,636	8,636	9,595	(959)
Office Supplies	7,250	7,250	5,447	1,803
Transportation and Meals	100	100	131	(31)
Membership, Dues and Education	2,800	2,800	2,072	728
Total Township Treasurer	51,286	51,286	49,745	1,541
Board of Review:				
Contract Labor and Wages	1,399	1,399	1,035	364
Miscellaneous	800	800	711	89
Total Board of Review	2,199	2,199	1,746	453
Township Hall and Grounds:				
Office Supplies	3,400	3,400	4,405	(1,005)
Repairs and Maintenance	5,800	5,800	4,553	1,247
Communications	5,600	5,600	5,351	249
Utilities	17,691	17,691	19,407	(1,716)
Equipment	6,500	6,500	-	6,500
Building/Land	11,000	11,000	-	11,000
Miscellaneous	850	850	96	754
Total Township Hall and Grounds	50,841	50,841	33,812	17,029

TOWNSHIP OF DENTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET (UNFAVORABLE)
Cemetery:				
Wages and Fringe Benefits	5,383	5,383	5,789	(406)
Office Supplies	1,200	1,200	2,513	(1,313)
Utilities	225	225	112	113
Repair and Maintenance	500	500	250	250
Insurance	500	500	446	54
Building and Land	750	750	-	750
Equipment and Other	1,300	1,300	116	1,184
Total Cemetery	9,858	9,858	9,226	632
Total General Government	522,468	574,468	520,962	53,506
PUBLIC SAFETY				
Building Agency	90,000	90,000	99,341	(9,341)
Total Public Safety	90,000	90,000	99,341	(9,341)
COMMUNITY AND ECONOMIC DEVELOPMENT				
Zoning:				
Salaries	28,300	28,300	26,292	2,008
Fringe Benefits	8,601	8,601	6,729	1,872
Office Supplies	50	50	96	(46)
Professional Services	15,000	15,000	2,448	12,552
Printing and Publishing	800	800	1,020	(220)
Insurance	-	-	-	-
Membership, Dues and Education	2,500	2,500	915	1,585
Transportation and Meals	600	600	492	108
Miscellaneous	200	200	-	200
Total Zoning	56,051	56,051	37,992	18,059
Township Rehabilitation:	6,000	6,000	16,136	(10,136)
Total Community and Economic Development	62,051	62,051	54,128	7,923

TOWNSHIP OF DENTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET (UNFAVORABLE)
PUBLIC WORKS				
Maintenance:				
Wages - Septic	92,500	92,500	92,231	269
FICA	39,856	39,856	33,120	6,736
Office/Operating Supplies	1,200	1,200	3,732	(2,532)
Uniforms	450	450	588	(138)
Repair/Maintenance Building/Land	3,300	3,300	452	2,848
Mileage	2,200	2,200	3,037	(837)
Equipment	7,500	7,500	3,360	4,140
Misc Expense	-	-	150	(150)
Total Public Works	147,006	147,006	136,670	10,336
Total Expenditures	821,525	873,525	811,101	62,424
Excess (Deficiency) of Revenues over Expenditures	63,707	11,707	190,360	178,653
OTHER FINANCING SOURCES/(USES):				
Roads	(266,324)	(266,324)	(144,000)	122,324
Recreation/Park	(62,256)	(62,256)	(74,000)	(11,744)
Trash	(134,351)	(134,351)	(111,000)	23,351
Total Other Financing Sources/(Uses)	(462,931)	(462,931)	(329,000)	133,931
Excess (Deficiency) of Revenues over Expenditures and Other Uses	(399,224)	(451,224)	(138,640)	312,584
Fund Balance - April 1	1,739,003	1,739,003	1,739,003	-
Fund Balance - March 31	\$ 1,339,779	\$ 1,287,779	\$ 1,600,363	\$ 312,584

TOWNSHIP OF DENTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
AMBULANCE FUND
YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET (UNFAVORABLE)
REVENUES				
Property Taxes and Assessments	\$ 327,434	\$ 327,434	\$ 350,905	\$ 23,471
Charges for Services:				
Insurance Reimbursements	476,500	476,500	445,835	(30,665)
Intercept Fees	97,000	97,000	130,705	33,705
Training Program Fees	5,000	5,000	21,400	16,400
Interest	-	-	29,155	29,155
Donations	-	-	130,000	130,000
Other	13,800	13,800	11,313	(2,487)
Total Revenues	<u>\$ 919,734</u>	<u>\$ 919,734</u>	<u>\$ 1,119,313</u>	<u>\$ 199,579</u>
EXPENDITURES				
Health & Welfare:				
Salaries, Wages and Payroll Taxes	\$ 639,670	\$ 639,670	\$ 644,911	\$ (5,241)
Health Insurance	61,000	61,000	51,746	9,254
Pension	33,731	33,731	39,120	(5,389)
Contract Wages	-	-	-	-
Supplies and Uniforms	24,000	24,000	23,512	488
Repairs and Maintenance	17,800	17,800	20,634	(2,834)
Miscellaneous	6,000	6,000	601	5,399
Professional Services	16,200	16,200	25,197	(8,997)
Insurance	18,625	18,625	19,250	(625)
Education and Training	37,700	37,700	49,484	(11,784)
Capital Outlay	278,406	278,406	212,307	66,099
Utilities	11,602	11,602	11,346	256
Total Expenditures	<u>1,144,734</u>	<u>1,144,734</u>	<u>1,098,108</u>	<u>46,626</u>
Excess (Deficiency) of Revenues over Expenditures	(225,000)	(225,000)	21,205	246,205
Fund Balance - April 1	723,135	723,135	723,135	-
Fund Balance - March 31	<u>\$ 498,135</u>	<u>\$ 498,135</u>	<u>\$ 744,340</u>	<u>\$ 246,205</u>

TOWNSHIP OF DENTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TRASH FUND
YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET (UNFAVORABLE)
REVENUES				
Taxes and Assessments	\$ 232,240	\$ 232,240	\$ 257,547	\$ 25,307
Other Income	3,250	3,250	2,439	(811)
Total Revenues	<u>\$ 235,490</u>	<u>\$ 235,490</u>	<u>\$ 259,986</u>	<u>\$ 24,496</u>
EXPENDITURES				
Public Works:				
Salaries and Benefits	\$ 26,136	\$ 26,136	\$ 22,374	\$ 3,762
Supplies	1,000	1,000	906	94
Repairs and Maintenance	3,250	3,250	793	2,457
Professional Fees	550	550	500	50
Miscellaneous	1,600	1,600	1,660	(60)
Trash Collection Costs	326,115	326,115	317,702	8,413
Utilities	1,190	1,190	1,219	(29)
Capital Outlay	10,000	10,000	-	10,000
Total Expenditures	<u>369,841</u>	<u>369,841</u>	<u>345,154</u>	<u>24,687</u>
Excess (Deficiency) of Revenues over Expenditures	(134,351)	(134,351)	(85,168)	49,183
OTHER FINANCING SOURCES (USES)				
Operating Transfers	134,351	134,351	111,000	(23,351)
Excess of Revenues and Other Sources over Expenditures and Other Uses	-	-	(25,832)	25,832
Fund Balance - April 1	46,900	46,900	46,900	-
Fund Balance - March 31	<u><u>\$ 46,900</u></u>	<u><u>\$ 46,900</u></u>	<u><u>\$ 72,732</u></u>	<u><u>\$ 25,832</u></u>

TOWNSHIP OF DENTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FIRE FUND
YEAR ENDED MARCH 31, 2006

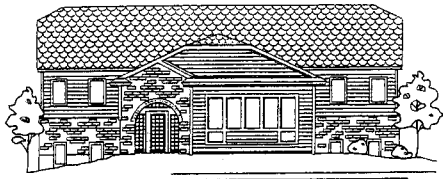
	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET (UNFAVORABLE)
REVENUES				
Property Taxes and Assessments	229,601	229,601	245,758	16,157
Charges for Services	7,525	7,525	15,505	7,980
Interest Earnings	-	-	8,088	8,088
Donations	-	-	13,000	13,000
Other	1,000	1,000	11,142	10,142
Total Revenues	238,126	238,126	293,493	55,367
EXPENDITURES				
Public Safety:				
Wages	82,100	82,100	76,766	5,334
Fringe Benefits	12,000	12,000	11,486	514
Office/Operating Supplies	3,500	3,500	10,382	(6,882)
Repair/Maintenance	9,000	9,000	4,230	4,770
Professional Fees	5,950	5,950	900	5,050
Insurance	19,500	19,500	21,337	(1,837)
Membership and Education	2,500	2,500	1,051	1,449
Communications	3,300	3,300	1,756	1,544
Computers	2,000	2,000	774	1,226
Mileage	1,500	1,500	1,723	(223)
Utilities	7,002	7,002	8,052	(1,050)
Miscellaneous	2,500	2,500	266	2,234
Capital Additions	35,000	35,000	26,563	8,437
Debt Service	71,300	71,300	60,033	11,267
Total Expenditures	257,152	257,152	225,319	31,833
Excess (Deficiency) of Revenues over Expenditures	19,026	19,026	(68,174)	87,200
Fund Balance - April 1	338,029	338,029	338,029	-
Fund Balance - March 31	319,003	319,003	406,203	\$ 87,200

TOWNSHIP OF DENTON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
MARCH 31, 2006

	STREET LIGHTS	MOBILE HOME	ROAD	POLICE	RECREATIONAL PARK	TOTAL
ASSETS						
Cash & Investments	\$ 184,836	\$ 105,736	\$ 3,218	\$ -	\$ -	293,790
Delinquent Taxes Receivable	9,534	-	9,535	17,802	-	36,871
Special Assessment Receivable	-	-	-	-	-	-
Due From Other Funds	114,419	-	114,419	213,681	-	442,519
Accounts Receivable	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total Assets	308,789	105,736	127,172	231,483	-	773,180
LIABILITIES AND FUND BALANCES						
Cash Overdraft	-	-	-	78,615	6,310	84,925
Fund Balances:						
Designated	-	-	-	-	-	-
Undesignated	308,789	105,736	127,172	152,868	(6,310)	688,255
Total Liabilities and Fund Balances	\$ 308,789	\$ 105,736	\$ 127,172	\$ 231,483	\$ -	\$ 773,180

TOWNSHIP OF DENTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2006

	STREET LIGHTS	MOBILE HOME	ROAD	POLICE	RECREATIONAL PARK	TOTAL
REVENUES						
Taxes and Assessments	\$ 122,980	\$ -	\$ 122,980	\$ 229,663	\$ -	475,623
State Grants	-	-	-	8,077	-	8,077
Charges for Services	-	88,309	-	680	-	88,989
Other	7,290	3,745	1,615	4,767	-	17,417
Total Revenues	130,270	92,054	124,595	243,187	-	590,106
EXPENDITURES						
Personnel Services	-	22,421	-	192,496	8,435	223,352
Supplies and Repairs	-	16,049	-	6,485	4,733	27,267
Utilities	50,410	14,587	-	2,583	989	68,569
Insurance	-	2,418	-	8,564	-	10,982
Roads	-	-	258,620	-	-	258,620
Professional Services	350	1,920	600	500	350	3,720
Miscellaneous	16	795	-	8,257	353	9,421
Debt Retirement	-	-	-	-	-	-
Capital Outlay	57,606	3,689	-	-	59,024	120,319
Total Expenditures	108,382	61,879	259,220	218,885	73,884	722,250
Excess (Deficiency) of Revenues Over Expenditures	21,888	30,175	(134,625)	24,302	(73,884)	(132,144)
OTHER FINANCING SOURCES (USES)						
Operating Transfers	-	-	144,000	-	74,000	218,000
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	21,888	30,175	9,375	24,302	116	85,856
Fund Balance - April 1	286,901	75,561	117,797	128,566	(6,426)	602,399
Fund Balance - March 31	\$ 308,789	\$ 105,736	\$ 127,172	\$ 152,868	\$ (6,310)	\$ 688,255



Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskin, C.P.A.
Jeffrey B. Cook, C.P.A.
Richard W. Miller, C.P.A.
Ronald D. Alexander, C.P.A.
Curt A. Reppuhn, C.P.A.

May 23, 2006

Township of Denton
P.O. Box 289
Prudenville, MI 48651

We have audited the financial statements of the Township of Denton for the year ended March 31, 2006, and have issued our report thereon dated May 23, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 13, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Township of Denton. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Denton are described in the notes to the financial statements.

We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The following attached pages summarize the adjustments that were proposed to management and made to the audited financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

The Township of Denton's accounting records were well organized and we are happy to report that there were no difficulties in performing the audit.

Comments and Recommendations

In planning and performing our audit of the financial statements of the Township of Denton, we noted the following items:

- Currently Campground and mobile home revenue is recorded in a single revenue account. The treasurer foots the pre-numbered receipts and agrees those to the bank deposit. Due to the inherent fraud risk associated with cash receipts we suggest that two revenue accounts be used, (one for campground receipts and a separate account for mobile home rentals) which will allow an analysis of receipts from each area to test for completeness. A monthly review of both accounts should allow management to ascertain if current cash activity matches activity at the facility.
- In violation of the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended), the Township of Denton experienced a budget over-expenditure of \$11,628 in the recreational park fund. The over-expenditure resulted because there was higher activity in the fund than previously anticipated. General fund transfers covered the over-expenditures, but the board should have approved an amended budget indicating the increased expenditures. In addition the recreational park fund is currently in a deficit position which will require the general fund to provide additional funding to eliminate the deficit. To ensure that there are no budget over-expenditures in the future, we recommend that the Township review their expenditures prior to year-end and amend each budget as necessary.

- We noted that one individual was responsible for maintaining client receivables in the ambulance fund. This same individual opens mail, receipts customer payments and reconciles the accounts receivable ledger with the ability to adjust client records without prior approval. To enhance internal control we suggest that an individual at the township office open the mail and list client receipts prior to providing the information to the ambulance clerk. This list can then be matched to subsequent deposits.

We hope you find the above comments and recommendations useful. We are available to assist you in implementing these items should the need arise.

This information is intended solely for the information of the Township of Denton's Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Handwritten signature in cursive script, appearing to read "K. Cook Miller".

Keskine, Cook, Miller & Alexander LLP